

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01
ITC-01 /086 W

-----180508Z 119397 /15

R 171830Z JUN 77

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7817

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUER

AMEMBASSY PANAMA

AMEMBASSY BOGOTA

AMEMBASSY QUITO

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E.O. 11652: N/A

TAGS: EPAP, ETRD, CS

SUBJECT: THE BANANA DEVELOPMENTS

1. EMBOFF HAS DISCUSSED A NUMBER OF SIGNIFICANT BANANA DEVELOPMENTS WITH THE COSTA RICAN GOVERNMENT'S PRINCIPAL BANANA ADVISOR. A NUMBER OF THE CURRENT ISSUES WILL BE EXPLORED DURING A BANANA SEMINAR WHICH IS TO TAKE PLACE IN SAN JOSE BEGINNING JUNE 27 UNDER THE SPONSORSHIP OF THE CONSEJO SUPERIOR UNIVERSITARIO CENTRO AMERICANO, AN ORGANIZATION OF THE RECTORS OF CENTRAL AMERICAN UNIVERSITIES. TWO OF THE MAIN ISSUES TO BE DISCUSSED AT THE SEMINAR ARE LIKELY TO BE: (1) THE PROS AND CONS OF COSTA RICA'S BANANA TAX; AND (2) THE PLANS OF UNITED BRANDS TO MOVE ITS BANANA PRODUCTION FROM THE PACIFIC COAST TO THE ATLANTIC COAST. THE SEMINAR WILL PROBABLY ALSO DISCUSS THE UNION OF BANANA EXPORT COUNTRIES (UPEB) AND THE MULTI-NATIONAL CORPORATION FORMED BY

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UPEB TO EXPORT BANANAS, MAINLY TO SOCIALIST COUNTRIES.

2. THE GOVERNMENT'S BANANA EXPERT FEARS THAT THE BANANA SEMINAR MAY BECOME AN EXPLOSIVE FORUM. UNIVERSITY STUDENTS ARE EXPECTED TO ATTACK THE MULTI-NATIONAL BANANA COMPANIES AND ALSO TO ATTACK THE COMMUNIST-DOMINATED BANANA WORKERS UNION (CONFEDERACION GENERAL DE TRABAJADORES). SOME OF THE LOCAL BANANA PRODUCERS WILL

PROBABLY SPEAK OUT AGAINST THE GOVERNMENT'S BANANA TAX. PROBABLY THE MAIN TARGET WILL BE UNITED BRANDS. IT IS CHARGED THAT THE COMPANY'S PLAN TO CONVERT ITS PACIFIC COAST ACREAGE FROM BANANAS TO AFRICAN OIL PALMS WILL REDUCE EMPLOYMENT IN THE GOLFITO AREA BY 87 PERCENT.

3. REGARDING THE GOVERNMENT'S BANANA TAX, A NUMBER OF LOCAL COMPANIES ARE ASKING THAT IT BE REDUCED OR MODIFIED. THEY MET THIS WEEK WITH PLN PRESIDENTIAL CANDIDATE, LUIS ALBERTO MONGE, UNDER THE AUSPICES OF THE CHAMBER OF BANANA PRODUCERS, AND ASKED THAT NEW BANANA PRODUCTION BE EXEMPTED FROM THE TAX. MONGE PROMISED TO GIVE SERIOUS CONSIDERATION TO THE IDEA.

4. THE OVERALL IMPACT OF THE BANANA TAX HAS BEEN FAVORABLE, IN THE OPINION OF THE GOVERNMENT'S PRINCIPAL BANANA EXPERT, EVEN IF SOME SMALL PRODUCERS CLAIM NOT TO BE MAKING MONEY. BANANAS INCREASED IN PRICE BY MORE THAN ENOUGH TO COVER THE ADDITIONAL TAX IMPOSED BY COSTA RICA AND OTHER UPEB COUNTRIES. THUS, THE GOVERNMENT GOT MORE REVENUE AND THE BANANA COMPANIES STILL ENDED UP MAKING MORE MONEY THAN BEFORE. WHILE COSTA RICA AND OTHER UPEB COUNTRIES WHICH IMPOSED SIMILAR TAXES ARE THEORETICALLY LESS COMPETITIVE WITH ECUADOR, IN PRACTICE THEY HAVE BEEN ABLE TO SELL THEIR ENTIRE OUTPUT WITHOUT ANY PROBLEMS. MEANWHILE, ECUADOR, WHICH DECLINED TO JOIN UPEB AND REFUSED TO IMPOSE A BANANA TAX, HAS SEEN ITS PRODUCTION DECLINE. IT NOW SUPPLIES ONLY 10 PERCENT OF THE WORLD MARKET, AS COMPARED TO 15 PERCENT IN 1970. ACCORDING TO THE GOCR SOURCE, ECUADOR HAS LARGELY LOST ITS JAPANESE MARKETS TO BANANAS PRODUCED IN THE PHILIPPINES BY THE THREE BIG COMPANIES: UNITED BRANDS, STANDARD BRANDS AND DEL MONTE. BECAUSE OF ITS LOSSES
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ELSEWHERE BANANA MARKETS IN THE SOCIALIST COUNTRIES ARE NOW OF INCREASED IMPORTANCE TO ECUADOR.

5. UPEB HOPES TO USE ECUADOR'S DEPENDENCE ON THE SOCIALIST MARKETS AS A LEVER TO FORCE IT TO JOIN UPEB. THIS WAS THE RATIONALE BEHIND FORMATION BY UPEB OF ITS MULTI-NATIONAL CORPORATION TO EXPORT BANANAS TO SOCIALIST COUNTRIES. THE HOPE IS THAT UPEB'S MULTI-NATIONAL CORPORATION CAN GIVE SUCH STRONG COMPETITION TO ECUADOR IN SOCIALIST COUNTRY MARKETS THAT ECUADOR WILL BE FORCED TO JOIN UPEB.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FRUIT, PRODUCTION
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Format: TEL
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770645/aaaabngq.tel
Line Count: 109
Litigation Code IDs:
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Litigation History:
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Message ID: 51fbfb7a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2111767
Secure: OPEN
Status: NATIVE
Subject: THE BANANA DEVELOPMENTS
TAGS: EPAP, ETRD, CS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/51fbfb7a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009